INTERNATIONAL MONETARY FUND

ANNUAL REPORT OF THE EXECUTIVE DIRECTORS

SEPTEMBER 1946

I. ESTABLISHMENT OF THE FUND

This report, prepared in accordance with Section 10 of the Bylaws, covers the operations and policies of the International Monetary Fund in the period from May 6, 1946, when the Executive Directors held their first meeting in Washington, through early September 1946. In this period, the Fund was creating an organization and laying down the necessary rules for its operations. Since it is intended that in future years the annual report of the Executive Directors will cover the operations of the Fund in the preceding fiscal year, such figures as are here presented deal mainly with the period ending June 30, 1946.

Entry Into Force

The Articles of Agreement of the International Monetary Fund entered into force on December 27, 1945, when representatives of 30 countries met and participated in a ceremony of signature held in Washington, D. C. By December 31, 1945, 35 countries had signed and otherwise indicated their intention to become members. These were:

Belgium
Bolivia
Brazil
Canada
Chile
China
Colombia
Costa Rica
Cuba
Czechoslovakia
Dominican Republic
Ecuador
Egypt
Ethiopia
France
Greece
Guatemala
Honduras
Iceland
India
Iran
Iraq
Luxembourg
Mexico
Netherlands
Norway
Paraguay
Peru
Philippine Commonwealth
Poland
Union of South Africa
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Yugoslavia

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Instruments of Acceptance have been deposited with the United States Government, as required by Article XX, Section 2 (a) of the Fund Agreement, on behalf of all the above countries.

Inaugural Meeting of the Board of Governors

In accordance with the provisions of Article XX, the Government of the United States called the first meeting of the Board of Governors of the Fund to meet jointly with the Board of Governors of the International Bank for Reconstruction and Development at Savannah, Ga., on March 8, 1946.

During the meeting, the Board adopted a resolution which extended from December 31, 1945, to December 31, 1946, the period in which countries listed in Schedule A of the Fund Agreement could join as original members. Under this resolution representatives of Cuba, El Salvador, Nicaragua, and Panama signed the articles in the course of the meeting. Denmark, with a quota fixed at $68,000,000 by the Board of Governors, likewise acquired membership under the authority of this resolution on March 30, 1946.

This meeting took the necessary preliminary steps to organize the Fund. Bylaws were adopted to establish procedures for the meetings of the Board of Governors and to govern the operations. A number of special tasks were assigned to the Executive Directors. The Board of Governors appointed a temporary secretary, Mr. Roman L. Horne, to make the arrangements for the first meeting of the Executive Directors, and fixed the date of the first meeting at the beginning of May.

First Executive Directors

The Executive Directors, who were appointed or elected in accordance with the provisions of the Fund Agreement, were as follows:

Appointed Executive Directors

		Votes
George Bolton	United Kingdom	13,250
J. V. Joshi	India	4,250
Yee-Chun Koo	China	5,750
Pierre Mendes-France	France	4,750
Harry D. White	United States	27,750

Elected Executive Directors

G. W. J. Bruins	Netherlands	3,000
	Union of South Africa	1,250
		4,250

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Elected Executive Directors—Continued		Votes
Rodrigo Gomez	Colombia	750
	Costa Rica	300
	Cuba	750
	Dominican Republic	300
	El Salvador	275
	Guatemala	300
	Honduras	275
	Mexico	1,150
	Nicaragua	270
		4,370
Camille Gutt	Belgium	2,500
	Iceland	260
	Luxembourg	350
		3,110
J. V. Mladek	Czechoslovakia	1,500
	Poland	1,500
	Yugoslavia	850
		3,850
Louis Rasminsky	Canada	3,250
	Norway	750
		4,000
Ahmed Zaki Bey Saad	Egypt	700
	Ethiopia	310
	Greece	650
	Iran	500
	Iraq	330
	Philippine Commonwealth	400
		2,890
Francisco Alves dos Santos-Filho	Bolivia	350
	Brazil	1,750
	Chile	750
	Ecuador	300
	Panama	255
	Paraguay	270
	Peru	500
	Uruguay	400
		4,575

Interim Period

The necessary arrangements for the first meetings in Washington of the Executive Directors were made by the Temporary Secretary, Mr. Horne who, with the assistance of a small staff, found and equipped quarters, collected, edited, and published the documents of the Inaugural Meeting and carried on the necessary correspondence.

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Selection of the Managing Director

At their first meeting on May 6, 1946, the Executive Directors selected as Managing Director Mr. Camille Gutt of Belgium, who, upon accepting, resigned as Executive Director. On this date the Managing Director assumed the chairmanship of the Executive Directors and the responsibility for organizing and directing the staff.

Organization of the Operating Staff

The Executive Directors, as a first order of business, discussed the general organization of the staff. By mid-June a general plan of organization had been agreed. Reporting to the Managing Director, the staff is divided into five primary departments and offices, as follows:

Operations Department.
Legal Department.
Research Department.
Office of the Comptroller.
Office of the Secretary.

Each of those departments and offices has a director or head who is responsible to the Managing Director. The departments and offices are further subdivided into divisions under chiefs. It is intended that the organization should be simple and flexible.

By the beginning of September, the Managing Director had appointed the head or acting head of each of the major staff units of the Fund and these officials had assumed their duties in Washington. They are:

Mr. John L. Fisher (U. K.), Director
Operations Department.
Mr. Edward M. Bernstein (U. S.), Assistant Director, Acting in Charge
Research Department
Mr. A. van Campenhout (Belgium), Director
Legal Department
Mr. Charles M. Powell (Canada), Assistant Comptroller
Office of the Comptroller
Mr. Frank Coe (U. S.), Secretary
Office of the Secretary

That portion of the Fund's operating staff which had reported for duty numbered approximately 100 persons, recruited from 15 countries. Equipment and supplies had been procured and necessary procedures had been established to direct the work of the staff through the early period.

The Fund has adopted for its employees the salary scale and grades of the United Nations.

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In appointing the staff, the Managing Director has, as required by the Fund Agreement, "subject to the paramount importance of securing the highest standards of efficiency and of technical competence," paid "due regard to the importance of recruiting personnel on as wide a geographical basis as possible." It has proved difficult and time-consuming to negotiate with and select prospective staff members who are scattered all over the world. In most countries there is a shortage of the kinds of skilled financial and economic personnel that the Fund and other international organizations are seeking. Because of this shortage, the treasuries, central and private banks and exchange departments of many countries are unable or reluctant to release their personnel. Of those who can be released, a considerable number are reluctant to give up established positions to undertake new work in another country.

Financial Statement

Section 20 of the Bylaws requires that the Executive Directors shall have an audit of the accounts of the Fund made at least once each year and on the basis of this audit submit a balance sheet and statement of operations of the Fund to be considered by the Board of Governors at their annual meeting.

Since operations have not yet commenced, the financial presentation in this instance is in the form of a Statement of Receipts and Payments from inception to June 30, 1946, which is annexed to this report (Appendix D). It will be seen that the Receipts are solely subscriptions of one one-hundredth of 1 percent of quotas of member countries as provided for by Section 2 (d) of Article XX of the Fund Agreement, while the payments are limited to administrative expenses. As required, the Executive Directors have had an audit of the accounts made for the fiscal year which ended on June 30, 1946. Although plans are going forward for an independent audit, this one was conducted by the Assistant Comptroller, Mr. C. M. Powell. The Statement of Receipts and Payments, based on this audit, was prepared under the supervision of the Managing Director and approved by the Executive Directors for submission to the Board of Governors.

Administrative Budget

It has not proved possible during the period covered by this report to prepare an administrative budget for submission to the Board of Governors. The Fund's major operations have not begun and will not begin until the required number of par values has been agreed. The amount and number of the Fund's transactions cannot be determined now, and therefore the basis for estimating the staff and other administrative requirements for these transactions is lacking. Similarly, the volume of work which will be necessary in connection with

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exchange rates, exchange restrictions, and the other obligations of members, cannot be foreseen at this time. For these reasons the Managing Director has not considered it desirable to define the detailed organization of the various departments and offices, which are being operated by nuclear staffs.

The Financial Statement presented in Appendix D shows that administrative expenditures through June 30, 1946, covering a period of approximately 3 months, amounted to approximately $97,000. In July and August, administrative expenditures were at a higher rate and a total of approximately $150,000 was spent. Of this, about half, or $74,000, was for salaries and wages and slightly more than one-third, or $54,000, was for supplies and equipment. The remainder was expended principally on offices, travel, communication, and expenses for the meeting of the Board of Governors.

II. STATUS OF THE FUND

Applications for Membership

At its Inaugural Meeting the Board of Governors received applications for membership from the Governments of Italy, Lebanon, Syria, and Turkey, which were referred to the Executive Directors for consideration and recommendations. In conformity with Section 21 of the Bylaws, the recommendations of the Executive Directors are being separately submitted to the Board of Governors.

Revision of Quotas

At the Inaugural Meeting the Governor of Paraguay requested that the quota of Paraguay in the Fund should be increased. The Board of Governors referred this request to the Executive Directors for consideration and recommendations. The report to the Board of Governors on this matter is separately submitted.

On September 6, 1946, the Government of France requested the Fund to consider an increase in its quota. On September 18 the Government of China made a similar request. The reports of the Executive Directors on these requests are being submitted separately.

Relations With Other International Organizations

The Fund and the Bank have maintained close relations throughout the period of organization. The Managing Director of the Fund and the President of the Bank and their subordinates have worked together on common problems, and joint committees of the two Boards of Executive Directors have been utilized as a device for effecting necessary coordination. Steps have been taken to ensure that the policies and operations of the Fund and the Bank will complement each other.

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